RUDYARD TOWNSHIP CHIPPEWA COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2005

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

☐ City	nment Type Township		Village	☐ Other	Local Governm	nent Name Township		Count	y
Audit Date 3/31/05			Opinion D	ate	Rudyard	Date Accountant Report	Cub-iu-iu	Chi	pewa
We have a	udited the fin	ancia	7/28/0	-1 644		9/30/05			
accordanc Financial S We affirm	with the Statements for that:	ateme Coun	ents of the ties and L	ne Governi Local Units	local unit of mental According of Governmental	government and rend unting Standards Bo ent in Michigan by the	dered an opinio ard (GASB) a Michigan Depa	on on financial st nd the <i>Uniform</i> artment of Treasu	atements prepare Reporting Forma Iry.
1. We ha	e complied w	ith the	e Bulletin	for the Auc	dits of Local U	Units of Government i	n Michigan as n	evised.	
∠. We are	certified publ	ic acc	ountants	registered	to practice in	Michigan.			
We further a	affirm the follo and recommer	wing. ndatio	"Yes" res ns	sponses ha	ve been disc	losed in the financial	statements, inc	luding the notes,	or in the report o
You must ch	eck the applic	able t	ox for ea	ch item be	low.				
Yes .	No 1. C	Certair	compon	ent units/fu	ınds/agencies	s of the local unit are	excluded from	the financial stat	ements.
✓ Yes	」No 2. T 2	here a	are accur 1980).	mulated de	ficits in one	or more of this unit's	unreserved fu	nd balances/reta	ined earnings (F
✓ Yes	No 3. Ti ar	here a	are instar ed).	nces of no	n-compliance	with the Uniform A	ccounting and	Budgeting Act (P.A. 2 of 1968,
Yes 🗸	No 4. Tr	ne loc quiren	al unit h	as violated an order is	I the condition	ons of either an orde he Emergency Munici	er issued unde	er the Municipal	Finance Act or
Yes [✓	No 5. Th	e loca	al unit ho	lds denosi	ts/investmon	ts which do not comp 1982, as amended [N	pai Loan Act.		
Yes _✓	No 6. Th	e loca	l unit has	been delin	quent in distr	ributing tax revenues	that were collec	cted for another	taxing unit.
Yes 🗸	No 7. per	e loca nsion l	il unit ha: benefits (s violated	the Constitut	ional requirement (A irrent year. If the plar uirement, no contribut	rticle 9, Section	n 24) to fund cu	rrent vear earne
Yes ✓	No 8. The (MC	local	l unit use 9.241).	es credit ca	ards and has	s not adopted an ap	plicable policy	as required by I	ear). P.A. 266 of 199
Yes ✓	No 9. The	local	unit has i	not adopted	d an investme	ent policy as required	by P.A. 196 of	1997 (MCL 129.9	95).
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	mments and i						1	Forwarded	Required
eports on indi	vidual federal	financ	cial assist	ance progr	ams (progran	m audits).	V	-	
ngle Audit Re	ports (ASLGL	J).						-	✓
ichard E. M	ountant (Firm Nar ahlmeister,	ne)	PC				▼		
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Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

July 28, 2005

Township Board Rudyard Township Chippewa County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Rudyard Township*, *Chippewa County*, *Michigan*, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of *Rudyard Township's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Rudyard Township*, *Chippewa County*, *Michigan*, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, *Rudyard Township* has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended and interpreted, as of April 1, 2004.

In accordance with Government Auditing Standards, I have also issued my report dated July 28, 2005, on my consideration of Rudyard Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Rudyard Township's* basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements of *Rudyard Township, Chippewa County, Michigan*. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Township's combined net assets increased \$13,843. Separately, governmental activities increased \$39,561 while business-type net assets decreased \$25,718.
- The total cost of basic programs, excluding capital outlay and debt principal payments were \$320,503 for governmental activities and \$256,103 for business-type activities.
- Total revenues were \$360,064 for governmental activities and \$230,385 for business-type activities.
- The Township repaid \$32,000 of long-term debt during the fiscal year. The Township issued 2004 General Obligation Unlimited Tax Bonds of \$795,200 for construction of a new Township/Fire Hall.
- At the end of the fiscal year, the General Fund had approximately \$145,400 of unreserved fund balance available for future expenditures. This represents approximately 76% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail. The governmental fund statements tell how basic services, such as supervisor, clerk, treasurer and board activities are financed.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Following is a summary of the Township's net assets at March 31, 2005:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$408,469	\$414,408	
Noncurrent assets	1,041,557	2,253,925	\$822,877 3,295,482
Total Assets	1,450,026	2,668,333	4,118,359
Current liabilities	123,470	53,421	176,891
Long-term liabilities	785,200	1,033,499	1,818,699
Total Liabilities	908,670	1,086,920	1,995,590
Net Assets:			
Invested in capital assets, net of related debt Restricted	234,632	1,186,426	1,421,058
Unrestricted	306,724	303,050 91,937	303,050 398,661
Total Net Assets	\$541,356	\$1,581,413	\$2,122,769

Following is a summary of the Township's activities for the year ended March 31, 2005:

	Governmental Activities	Business-Type Activities	Total
Revenues:			Total
Program Revenues:			
Charges for services	\$17,844	\$179,005	\$196,84
Operating grants and		4177,003	\$190,84
contributions	14,718	51,380	66.00
General Revenues:	•	2.,500	66,098
Property taxes State-shared revenues	179,587	-	179,58
	109,388	-	109,388
Interest income	6,919	_	6,919
Other	31,608	_	31,608
Total Revenues	360,064	230,385	590,449
Expenses:	,	200,505	390,449
Legislative	32,453	_	22 452
General government	85,382	-	32,453 85,382
Public safety	132,600	_	132,600
Public works	17,532		•
Recreation and culture	8,006	20.710	17,532
Other	28,361	20,718	28,724
Interest on long-term debt		-	28,361
	16,169		16,169
Sewer expenses	-	96,525	96,525
Water expenses	-	138,860	138,860
Total Expenses	320,503	256,103	576,606
ncrease (Decrease) in Net			370,000
Assets	\$39,561	(\$25,718)	\$13,843

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Comparative analysis to the previous year's financial results is not available, as this year is the first year of implementation of GASB 34. It will be provided in future years when prior information is available.

GOVERNMENTAL ACTIVITIES

Governmental activities remained consistent, and the Township continued to provide the same services to its residents, including: administrative, assessing, elections, township hall maintenance, road maintenance, tax collection and fire protection.

BUSINESS-TYPE ACTIVITIES

Business-type activities also remained consistent, and the Township continued to provide the same services to its residents, including: Sewer, Water services and Township Park maintenance and improvements. Key elements to the net asset decreases in sewer and water are depreciation expenses charged for amortization of capital assets.

THE TOWNSHIP'S FUNDS

Our analysis of the Township's major funds begins following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township creates funds to help manage money for specific purposes as well to show accountability for certain activities, such as property tax millages. The Township's major funds include the General Fund (our largest fund), Road Fund, Township Hall Construction Fund, Park, Sewer and Water Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Township Board reviews its expenditures and compares to the adopted budget to determine if any amendments to the original budget need to be made. During the year, no significant amendments were made to the original adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

At March 31, 2005 the Township had \$2,985,258 in a broad range of capital assets, including buildings, parks, land, and equipment. The most significant addition to Township capital assets was the construction of the new Township hall, which increased capital assets in the approximate amount of \$785,000.

At March 31, 2005 the Township had total debt outstanding of \$1,564,200. The Township reduced its sewer and water debt by \$20,000 and \$12,000, respectively. Bonds were issued in the amount of approximately \$800,000 for the construction of the new township hall. Additional information on the Township's long-term debt can be found in the accompanying notes to the financial statements of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township expects financial aspects of governing to be the same as in the current year. Sewer and Water rates remain consistent. One area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political consideration. In the last two years, these revenues have decreased by approximately \$14,000.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any member of the Board at 906.478.5041 (Rudyard Township Hall).



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_	GOVERNMENT-WIDE FINANCIAL STATEMENTS
-	
-	
-	
-	

RUDYARD TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2005

_		PRIMARY	PRIMARY GOVERNMENT		
_	ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
	Cash and cash equivalents	\$379,419	004 600		
	Investments	6,054	\$84,658	\$464,077	
	Restricted cash and cash equivalents	0,054	13,317	19,371	
	Restricted investments	-	182,581	182,581	
	Taxes receivable	22.00	120,469	120,469	
_	Accounts receivable	22,996	5,522	28,518	
	Deferred costs	-	7,861	7,861	
	Capital assets (Net of Accumulated Depreciation)	11,725	-	11,725	
_	Special assessments receivable	1,029,832	1,955,426	2,985,258	
	special assessments receivable		298,499	298,499	
_	TOTAL ASSETS	\$1,450,026	\$2,668,333	\$4,118,359	
	LIABILITIES				
-	Accounts				
	Accounts payable	\$101,074	\$ -	\$101,074	
	Accrued expenses	12,396	19,421	31,817	
_	Long-term liabilities:			,	
	Deferred revenue	-	298,499	298,499	
	Due within one year	10,000	34,000	44,000	
-	Due in more than one year	785,200	735,000	1,520,200	
	TOTAL LIABILITIES	908,670	1,086,920	1,995,590	
	NET ASSETS				
	Invested in capital assets, net of related debt	224 (22			
_	Restricted	234,632	1,186,426	1,421,058	
	Unrestricted	207 = 2	303,050	303,050	
	· ·	306,724	91,937	398,661	
	TOTAL NET ASSETS	\$541,356	\$1,581,413	\$2,122,769	

RUDYARD TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative			
General government	\$32,453	\$ -	\$
Public safety	85,382	17,094	
Public works	132,600	750	14,718
Recreation and culture	17,532	•	
Other	8,006	-	
Interest on long-term debt	28,361	-	
interest on long-term dept	16,169	-	
Total governmental activities	320,503	17,844	14,718
Business-type activities			
Park and recreation	20,718	9.747	
Sewer	96,525	8,646	4,357
Water	138,860	78,650	20,868
_	130,000	91,709	26,155
Total business-type activities	256,103	179,005	51,380
otal primary government	\$576,606	\$196,849	\$66,098
	Gen	neral Revenues	
		operty taxes	
		ate-shared revenues	
		restricted interest income	
	Ott		
	Tota	al general revenues	
	Cha	nge in net assets	
	Net a	assets, beginning of year	
	Prior	r period adjustment	
	Net a	assets, beginning of year, a	s restated
		ssets, end of year	

Net (Expense) Revenue and changes in Net Assets

	Primary Government				
Capital Grants					
and	Governmental	Business-Type			
Contributions	Activities	Activities	TOTAL		
\$ -	(\$32,453)	\$ -	(\$32,453)		
-	(68,288)	-	(68,288)		
-	(117,132)	-	(117,132)		
-	(17,532)	-	(17,532)		
-	(8,006)	-	(8,006)		
-	(28,361)	-	(28,361)		
	(16,169)		(16,169)		
	(287,941)	-	(287,941)		
-	-	(7,715)	(7,715)		
-	-	2,993	2,993		
	-	(20,996)	(20,996)		
	-	(25,718)	(25,718)		
s -	(\$287,941)	(\$25,718)	(\$313,659)		
	179,587	-	179,587		
	109,388	-	109,388		
	6,919	-	6,919		
	31,608	-	31,608		
	327,502	-	327,502		
	39,561	(25,718)	13,843		
	501,795	1,627,156	2,128,951		
11.11. mana		(20,025)	(20,025)		
	501,795	1,607,131	2,108,926		
	\$541,356	\$1,581,413	\$2,122,769		

FUND FINANCIAL STATEMENTS

RUDYARD TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

ASSETS	GENERAL FUND	ROAD FUND	TOWNSHIP HALL DEBT
a la la fordante	\$135,368	\$71,475	\$38,561
Cash and cash equivalents	6,054	-	-
Investments	6,684	10,360	5,952
Taxes receivable	3,343	18	3
Due from other funds			
TOTAL ASSETS	\$151,449	\$81,853	\$44,516
LIABILITIES AND FUND BALANCES			
LIABILITIES	¢.	\$76,900	s -
Accounts payable	\$ -	\$70,200	· •
Due to other funds			
TOTAL LIABILITIES	-	76,900	
FUND BALANCES			
Reserved for:			44,516
Debt service			44,310
Unreserved:			
Designated for:			_
Subsequent years' expenditures	29,220		-
Township improvements	5,254		-
Historical activities	783		-
Undesignated (deficit)	116,192	4,953	
TOTAL FUND BALANCES	151,449	4,953	3 44,516
TOTAL LIABILITIES			n 44 51 /
AND FUND BALANCES	\$151,449	\$81,853	\$44,516

TOWNSHIP HALL CONSTRUCTION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$26,166	\$106,663	\$378,23
-	-	6,05
-	•	22,99
	3,690	7,05
\$26,166	\$110,353	\$414,33
\$24,174 5,868	\$ - -	\$101,074 5,868
30,042		106,942
		44,516
-	9,375	38,595
-	-	5,254
•	-	783
(3,876)	100,978	218,247
(3,876)	110,353	307,395
\$26,166	\$110,353	\$414,337

RUDYARD TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$307,395 Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Add: capital assets Subtract: accumulated depreciation 1,201,702 (171,870)Deferred costs used in governmental activities are not financial resources and, therefore, are not reported in the funds. Add: deferred costs Subtract: accumulated amortization 12,060 (335)Certain liabilities, including bonds and notes payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds and consist of: Subtract: bonds payable Subtract: accrued interest on long-term liabilities (795,200)(12,396)NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$541,356

RUDYARD TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL FUND	ROAD FUND	TOWNSHIP HALL DEBT
REVENUES	0.55 (0.0		***
Taxes	\$57,682	\$77,389	\$44,516
Licenses and permits	2,245	-	-
State shared revenues	109,388	-	-
Charges for services	7,979	-	-
Interest income	4,541	426	-
Rents	6,870	-	-
Donations	-	-	-
Other income	31,608	-	-
TOTAL REVENUES	220,313	77,815	44,516
EXPENDITURES			
Current:			
Legislative - Township Board	32,453	-	-
General government	74,247	-	-
Public safety	31,236	76,900	-
Public works	17,532	, -	-
Recreation and culture	8,006	-	-
Other functions	28,361	-	-
Capital outlay	-	-	-
Debt service:			
Interest and fees	•	-	_
TOTAL EXPENDITURES	191,835	76,900	-
REVENUES OVER (UNDER) EXPENDITURES	28,478	915	44,516
OTHER FINANCING SOURCES			
Bond Proceeds	-	_	-
NET CHANGES IN FUND BALANCES	28,478	915	44,516
FUND BALANCES, BEGINNING OF YEAR	122,971	4,038	<u>-</u>
FUND BALANCES (DEFICIT), END OF YEAR	\$151,449	\$4,953	\$44,516

_	TOWNSHIP HALL CONSTRUCTION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	\$ -	\$ -	\$179,587
	-	-	2,245
	-	-	109,388
	-	750	8,729
-	-	1,952	6,919
	-	•	6,870
	-	500	500
_		14,218	45,826
_		17,420	360,064
•	-	-	32,453
	-	-	74,247
,	-	2,911	111,047
	-	-	17,532
	-	-	8,006
	-	-	28,361
	783,243	-	783,243
_	15,833		15,833
_	799,076	2,911	1,070,722
	(799,076)	14,509	(710,658)
	795,200		795,200
	(3,876)	14,509	84,542
		95,844	222,853
	(\$3,876)	\$110,353	\$307,395

RUDYARD TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

	Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities	
-	NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$84,542
_	Amounts reported for governmental activities in the statement of activities are different because:	\$0 -1 30 -1 2
_	Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
-	Add: capital outlay capitalized during the current year Subtract: depreciation expense	783,243 (32,353)
-	Governmental funds report deferred costs, such as finacing costs, as expenditures. However, those costs are allocated over the related debt repayment period as annual amortization expense in the statement of activities.	(-1,000)
-	Add: deferred costs capitalized during the current year Subtract: amortization expense	12,060
_	Bond proceeds provide current financial resources to governmental funds however, issuing debt increases long-term liabilities in the statement of net assets.	(335)
	Subtract: bond proceeds	(795,200)
,-	Some expenses in the statement of activities do not require the use of current finanical resources and therefore are not reported as expenditures in governmental funds.	(723,400)
	Subtract: accrued interest on bonds.	(12.20.4)
	CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(12,396) \$39,561

PROPRIETARY FUNDS

RUDYARD TOWNSHIP PROPRIETARY FUNDS STATEMENT OF NET ASSETS MARCH 31, 2005

-	ASSETS	PARK AND RECREATION	SEWER	WATER	
	CURRENT ASSETS:	FUND	FUND	FUND	TOTAL
	Cash and cash equivalents		·		TOTAL
	Investments	\$12,442	\$47,990	\$24,226	70.4 51
	Restricted cash and cash equivalents	13,317	-	Ψ 2 +,220	\$84,65
	Restricted investments	-	66,581	116,000	13,31
	Taxes receivable	120,469		110,000	182,58
	Accounts receivable	-	2,587	2.025	120,40
-	Teccivable		4,798	2,935	5,52
	TOTAL CURRENT ASSESSMENT			3,063	
	TOTAL CURRENT ASSETS	146,228	121,956	146.004	
	CAPITAL ASSETS		121,730	146,224	414,40
-					
	Park pavilion	135,692			
	Land and improvements	1,035	16.086	-	135,69
	Equipment	25,467	16,856	4,695	22,58
•	Vehicle	25,407	69,187	3,564	98,21
	Sewer system	-	9,222	9,222	18,44
	Production well	-	733,267	-	733,26
_	Water system	-	-	68,247	68,24
•	Less: accumulated depreciation	(06.000)	•	1,915,964	1,915,96
		(86,920)	(385,115)	(564,957)	_ (1,036,992
	NET CAPITAL ASSETS				(1,030,99)
		75,274	443,417	1,436,735	1 055 424
	OTHER ASSETS:				1,955,426
	Special assessments receivable				
			74,016	224,483	200 400
	TOTAL ASSETS				298,499
		\$221,502	\$639,389	\$1,807,442	00 ((0.55
	LIABILITIES AND FUND EQUITY			71,007,172	\$2,668,333
	TO TO EQUITY				
	CURRENT LIABILITIES:				
	Accrued expense				
	Bonds payable	\$ -	\$7,175	612.247	
	Nao payabic	<u>-</u>	20,000	\$12,246	\$19,421
	TOTAL CURRENT -			14,000	34,000
	TOTAL CURRENT LIABILITIES	-	27,175		
T	ONG-TERM LIABILITIES:		27,173	26,246	53,421
	Poformal				
	Deferred revenue	_	74.046		
	Bonds payable	_	74,016	224,483	298,499
			263,000	472,000	735,000
	TOTAL LONG-TERM LIABILITIES				
			337,016	696,483	1,033,499
	TOTAL LIABILITIES				
	-		364,191	722,729	1,086,920
	PT ACCEPTS				
	ET ASSETS:				
	ET ASSETS: Invested in capital assets, net of related debt Restricted	75,274	160,417	950.735	1 107 405
	Invested in capital assets, net of related debt	120,469	160,417 66,581	950,735 116,000	1,186,426
	Invested in capital assets, net of related debt Restricted			116,000	303,050
	Invested in capital assets, net of related debt Restricted	120,469	66,581	· ·	•

The accompanying notes are an integral part of these financial statements.

RUDYARD TOWNSHIP PROPRIETARY FUNDS STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2005

	PARK AND RECREATION FUND	SEWER FUND	WATER FUND	TOTAL
OPERATING REVENUES				
Service and connection fees	\$5,823	£70 (£0		
Other revenue	2,823	\$78,650	\$60,992	\$145,465
	2,023		30,717	33,540
TOTAL OPERATING REVENUES	8,646	78,650	01.700	
		78,030	91,709	179,005
OPERATING EXPENSES				
Salaries	-	22,786	11 202	
Fringe benefits	_	4,226	11,392	34,178
Office administration	<u>-</u>	5,000	3,849	8,075
Gasoline	_	935	10,000	15,000
Supplies	8,690	885	714	1,649
Office expense	3,050		247	9,822
Contracted service	3,410	140	198	338
Maintenance/repairs	3,410	2,330	27,119	32,859
Communication	-	544	2,239	2,783
Transportation	-	1,740	157	1,897
Utilities	-	-	115	115
Education and training	-	11,507	3,645	15,152
Insurance	-	•	159	159
Other	-	3,545	3,545	7,090
Depreciation	150	400	313	863
o optional con	8,468	28,087	50,868	87,423
TOTAL OPERATING EXPENSES	20,718	82,125	114,560	
OPERATING (LOSS)			114,500	217,403
OF ERATING (LOSS)	(12,072)	(3,475)	(22,851)	(38,398)
NON-OPERATING REVENUES (EXPENSES)				(30,370)
Interest income				
	4,357	2,505	2,302	9,164
Interest income - special assessments	-	5,175	12,868	18,043
Current taxes - special assessments	-	13,188	10,985	24,173
Interest expense	-	(14,400)	(24,300)	(38,700)
TOTAL NON-OPERATING INCOME				(30,700)
(EXPENSES) - NET				
	4,357	6,468	1,855	12,680
CHANGE IN NET ASSETS				
The state of the s	(7,715)	2,993	(20,996)	(25,718)
NET ASSETS, BEGINNING OF YEAR				(,)
111113, 223MMM OF TEAR	229,217	279,780	1,118,159	1,627,156
PRIOR PERIOD ADJUSTMENT (NOTE 12)				
(NOTE 12)	-	(7,575)	(12,450)	(20,025)
NET ASSETS, BEGINNING OF YEAR,			· · · · · · · · · · · · · · · · · · ·	
AS RESTATED	***			
· · · · · · · · · · · · · · · · · · ·	229,217	272,205	1,105,709	1,607,131
NET ASSETS, END OF YEAR				
,	\$221,502	\$275,198	\$1,084,713	\$1,581,413

The accompanying notes are an integral part of these financial statements.

RUDYARD TOWNSHIP PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

	PARK AND RECREATION	SEWER	WATER	
	FUND	FUND	FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$5,823	000.004		
Other receipts	2,823	\$82,264	\$60,279	\$148,36
Payments for operating expenses	(12,270)	(55,048)	30,717	33,540
NET CLOW PROVIDED		(85,040)	(63,615)	(130,93
NET CASH PROVIDED (USED)				
BY OPERATING ACTIVITIES	(3,624)	27,216	27,381	50,973
CASH FLOWS FROM CAPITAL AND				,
RELATED FINANCING ACTIVITIES				
Current taxes - special assessments		12.100		
Purchase of capital assets	(5,398)	13,188	10,985	24,173
Principal and interest paid on capital debt	(5,576)	(9,222) (34,900)	(9,222)	(23,842
		(34,900)	(36,600)	(71,500
NET CASH USED IN CAPITAL AND RELATED				
FINANCING ACTIVITIES	(5,398)	(30,934)	(34,837)	(71 160
CASH FLOWS FROM INVESTING ACTIVITIES			(5.1,55.1)	(71,169
Interest/investment earnings				
Interest income - special assessments	4,357	2,505	2,302	9,164
Repayment of amounts due to other funds	4.620	5,175	12,868	18,043
Unrealized loss on investment	4,628	(2,249)	(3,701)	(1,322
Purchase of investment	1,593 (13,317)	-	-	1,593
	(13,517)		•	(13,317
NET CASH PROVIDED (USED) BY				
INVESTING ACTIVITIES	(2,739)	5,431	11,469	14.121
NET INCREASE (DECREASE)			11,407	14,161
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
CASH EQUIVALENTS	(11,761)	1,713	4,013	(6,035)
CASH AND CASH EQUIVALENTS:				(-,)
BEGINNING OF YEAR	24,203	444.4		
-	24,203	112,858	136,213	273,274
END OF YEAR	\$12,442	\$114,571	\$140,226	## C# ###
			3140,220	\$267,239
RECONCILIATION OF OPERATING LOSS TO				
NET CASH FROM OPERATING ACTIVITIES				
Operating loss	(012.054)			
Adjustments to reconcile operating loss to net	(\$12,072)	(\$3,475)	(\$22,851)	(\$38,398)
cash from operating activities:				
Depreciation	8,468	70 A07		
Changes in assets and liabilities:	0,700	28,087	50,868	87,423
Receivables	•	3,614	(713)	
Accrued expenses	(20)	(1,010)	(713) 77	2,901
NET CASH DROWIDED (HOPP)				(953)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
== Or Electing ACTIVITIES	(\$3,624)	\$27,216	\$27,381	\$50,973

FIDUCIARY FUND

RUDYARD TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS TAX COLLECTION FUND MARCH 31, 2005

ASSETS

	— -	
•	Cash	\$1,189
	LIABILITIES	
	Due to other funds	
_	Due to other governmental units	\$1,186 3
	TOTAL LIABILITIES	1,189
_	NET ASSETS	
	Fiduciary Net Assets	_
		\$

RUDYARD TOWNSHIP STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS TAX COLLECTION FUND YEAR ENDED MARCH 31, 2005

ADDITIONS	
Property tax collections for other governmental units	\$476,205
•	
DEDUCTIONS	
Property tax distributions to other governmental units	476,205
Change in Net Assets	
Fiduciary Net Assets - Beginning of Year	
Fiduciary Net Assets - End of Year	<u> </u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rudyard Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2004, Rudyard Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

(Continued)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

The Township reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Road Fund - This fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

Township Hall Construction Fund - This fund is used to account for the construction of the Township Hall financed primarily by bonded indebtedness.

Park and Recreation Fund – This fund accounts primarily for activity and improvements to the Township Park. This fund is financed primarily by user fees, interest and investment earnings.

Sewer Fund – This fund accounts primarily for the activities of the sewer department system. This fund is financed primarily by user fees.

Water Fund – This fund accounts primarily for the activities of the water department system. This fund is financed primarily by user fees.

Fiduciary Funds

Agency Funds – This fund accounts for assets held for other governments in an agency capacity. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, excepts for investments in government bonds, which are carried at market.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES AND PAYABLES

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED ASSETS

Certain resources are set aside for repayment of the Township's sewer and water revenue bonds and for the park. The amounts are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants or other agreements.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an approximate initial individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 10-40 years Equipment and vehicles 5-20 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

DEFERRED REVENUE

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

FUND EQUITY

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAX REVENUE RECOGNITION

Property tax revenues for the year ended March 31, 2005, reflected in the accompanying financial statements include property taxes levied December 31, 2004. These taxes are due by February 15, 2005, and are added to the County tax rolls after February 28, 2005. The Township will receive 100% payment for the delinquent Township tax by June, 2005.

The taxable value of the Township totaled \$26,206,744, on which ad valorem taxes consisted of 1.6310 mills for the Township's operating purposes, 1.9770 mills for roads, .9885 for blacktopping and 1.7200 mills for debt service, raising \$43,038 for operating purposes, \$77,389 for roads and \$44,516 for debt service.

VACATION AND SICK LEAVE

There is no accumulated vacation or sick leave to be recognized.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

The caption on the statement of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents Investments	\$646,658 139,840
	\$786,498

At year-end the carrying amount of the Township's deposits were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$218,377 568,121	\$246,096 566,011
	\$786,498	\$812,107

All cash and cash equivalent accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments are categorized into these categories of credit risk:

- 1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
- 2. Uninsured and Unregistered, with Securities held by the Counterparty's Trust Department or its agent in the Township's name.
- 3. Uninsured and Unregistered, with Securities held by the Counterparty or the Counterparty's Trust Department or Agent, but not in the Township's name.

Investments consist of certificates of deposit with over a 90 day maturity in the amount of \$84,383, U.S. government funds with a carrying amount of \$55,733 and market value of \$55,457, are uninsured and considered Category 2 as to credit risk.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 3: RECEIVABLES

The composition of receivables is as follows as of March 31, 2005:

	Governmental Activities	Business-type Activities
Taxes receivable Accounts receivable Special assessments receivable	\$22,996	\$5,522 7,861
	<u> </u>	298,449
At d	\$22,996	\$311,832

At the end of the current fiscal year, deferred revenue reported in the proprietary funds was \$298,449.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: CAPITAL ASSETS

Capital asset activity was as follows for the year ended March 31, 2005:

Government Activities:	Balance April 1, 2004	Additions	Deletions	Balance
Not being depreciated:			Deletions	March 31, 2005
Land	\$30,000	\$ -	\$ -	#30.000
Buildings	128,260	705,675		\$30,000
Equipment - general	60,823	, -	(128,260)	705,675
Equipment – fire	, -	77,568	(26,300)	112,091
	52,949	-	(1,500)	51,449
Vehicles – fire	362,487	<u>-</u>	(60,000)	302,487
Subtotal	634,519	783,243	(216,060)	1,201,702
Less accumulated depreciation	(355,577)	(32,353)	216,060	(171,870)
Total	\$278,942	\$750,890	<u> </u>	\$1,029,832

Business-type Activities:	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Not being depreciated:				
Land and improvement	\$22,586	\$ -	\$ -	022 50 6
Park pavilion	135,692	· _	Ψ -	\$22,586
Equipment	92,820	5,398	-	135,692
Vehicle	9,488	,	-	98,218
Sewer system	733,267	18,444	9,488	18,444
Production well	•	-		733,267
	68,247	-	-	68,247
Water system	1,915,964		-	1,915,964
Subtotal	2,978,064	23,842	9,488	2,992,418
Less accumulated depreciation	(959,057)	(87,423)	(9,488)	(1,036,992)
Total	\$2,019,007	(\$63,581)	\$ -	\$1,955,426

Depreciation was charges to the Township's governmental activities as follows:

General government	\$11,135
Public safety	
	\$32,688

(Continued)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation was charges to the Township's Business-type activities as follows:

Park and Recreation	\$8,468
Sewer	28,087
Water	50,868
	\$87,423

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED EXPENSE

The composition of accounts payable and accrued expense is as follows as of March 31, 2005:

	Governmental Activities	Business-type Activities
Accounts payable Accrued expense	\$101,074 12,396	\$ - 19,421
	\$113,470	\$19,421

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables in the governmental activities are as follows:

Fund	Interfund Receivable	Interfund Payable
General fund Road fund Township Hall Debt fund Fire/Ambulance Improvement Fund Township Hall Construction Fund Fiduciary fund – Tax Collection	\$3,343 18 3 3,690	\$ - - 5,868 1,186
Total	\$7,054	\$7,054

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at March 31, 2005, and transactions related thereto for the year then ended is as follows:

Governmental activities	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
2004 General Obligation Unlimited Tax Bond maturing serially in annual payments of \$10,000 to \$55,000 bearing interest at 4.375% payable in semi-annual installments through May, 2034.	\$ -	\$795,200	\$ -	\$795,200
Business-type activities				
Proprietary Funds				
\$335,000 Sewer System Special Assessment Bonds maturing serially in annual payments of \$10,000 to \$15,000 bearing interest at 5% payable in semi-annual installments through October, 2011.	70,000	-	10,000	60,000
\$332,000 Sewer System Revenue Bonds maturing serially in annual payments of \$3,000 to \$19,000 bearing interest at 5% payable in semi- annual installments through October, 2020.	233,000	-	10,000	223,000
\$324,000 Water System Special Assessment Bonds maturing serially in annual payments of \$1,000 to \$9,000 bearing interest at 5% payable in semi-annual installments through April, 2031.	234,000	-	9,000	225,000

(Continued)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: LONG-TERM DEBT (CONTINUED)

Governmental activities \$283,000 Water System Revenue Bonds maturing serially in annual payments of \$1,000 to \$16,000 bearing interest at 5% payable in semi-	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
annual installments through April, 2032.	\$264,000	\$ <u>-</u>	\$3,000	\$261,000
Total business-type activities long-term debt —	801,000	<u>-</u>	32,000	769,000
Total long-term debt	\$801,000	\$795,200	\$32,000	\$1,564,200

Annual debt service requirements for the above obligations are as follows:

Year Ended March 31, 2006 2007 2008 2009 2010 2011-2015 2016-2020 2021-2025 2026-2030 2031-2034 Total	Govermental Principal \$10,000 10,000 10,000 10,000 15,000 85,000 115,000 135,000 180,000 225,200	Activities Interest \$34.781 34,344 33,906 33,469 32,922 154,328 132,453 105,109 70,438 26,250 \$658,000	Business-type Principal \$34,000 34,000 35,000 35,000 37,000 157,000 172,000 107,000 104,000 54,000 \$769,000	Activities Interest \$38.520 36.850 35,150 33,400 31,625 131,575 91,550 52,100 25,900 3,700 \$480,370
Interest exponse	C (1			<u>Φ480,3 /0</u>

Interest expense for the year ended March 31, 2005 was \$54,869.

NOTE 8: NET ASSET RESTRICTIONS

Net asset restrictions in the business-type activities are summarized as follows:

Parks and Recreation:	
Restricted for improvements	\$120,469
Sewer Fund:	
Restricted for debt service and improvements	\$66,581
Water Fund:	
Restricted for debt service and improvements	
1	\$116,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9: CONTINGENCIES

In the normal course of operations the Township receives grant funds from state and federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 10: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for general liability, wrongful acts, law enforcement, and other comprehensive liability of \$3,000,000, wrongful acts of \$2,000,000 property of \$2,768,577, automobile of \$1,000,000, crime of \$10,000, inland marine liability of \$248,490, boiler of \$250,000 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for the Township's fire department and workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 11: NET ASSET DEFICITAND ADOPTION OF DEFICIT BUDGET

Deficit net assets in the Township Hall Construction Fund exist in the amount of \$3,876 at March 31, 2005. The Township is in the process of submitting a deficit elimination plan to the Michigan Department of Treasury, in accordance with Public Act 275 of 1980.

Public Act 2 of 1968, as amended, provides that a local unit shall adopt a balanced budget whereas budgeted expenditures may not exceed budgeted revenues plus the prior year surplus. Though no deficit spending occurred, during the year ended March 31, 2005, the Township adopted an amended budget for the Road Fund where the budgeted expenditures exceeded the budgeted revenues plus prior year surplus in the amount of \$5,962.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12: PRIOR PERIOD ADJUSTMENTS

Beginning net assets of the business-type activities were restated to correct an error in interest expense, as follows:

Sewer	Fund:
	ı unu.

March 31, 2004, as previously reported Prior period adjustment	\$279,780 (7,575)
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March 31, 2004, as restated \$272,205

Water Fund:

March 31, 2004, as previously reported \$1,181,159
Prior period adjustment (12,450)

March 31, 2004, as restated \$1,105,709

	
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-	REQUIRED SUPPLEMENTARY INFORMATION
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RUDYARD TOWNSHIP BUDGETARY COMPARISON SCHEDULE -GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL	FINAL		VARIANCE FAVORABLE
	BUDGET	BUDGET	ACTUAL	(UNFAVORABLE)
REVENUES		A SOLVED		
Taxes	\$53,600	\$53,600	\$57,682	\$4,08
Licenses and permits	1,250	1,250	2,245	99
State shared revenues	82,050	82,050	109,388	27,33
Charges for services	14,000	14,000	7,979	(6,02
Interest income	1,500	1,500	4,541	3,04
Rents	1,500	1,500	6,870	5,37
Other income	21,000	21,000	31,608	10,60
TOTAL REVENUES	174,900	174,900	220,313	45,41
EXPENDITURES				
Current:				
Legislative - Township Board	26,970	32,854	32,453	40
General government	76,200	78,629	74,247	4,38
Public safety	51,800	50,804	31,236	19,56
Public works	18,000	18,000	17,532	46
Recreation and culture	4,200	8,200	8,006	19
Other functions	44,300	32,983	28,361	4,62
TOTAL EXPENDITURES	221,470	221,470	191,835	29,63
NET CHANGES IN FUND BALANCES	(46,570)	(46,570)	28,478	75,04
FUND BALANCES, BEGINNING OF YEAR	122,971	122,971	122,971	
FUND BALANCES, END OF YEAR	\$76,401	\$76,401	\$151,449	\$75,04

The accompanying notes are an integral part of these financial statements.

RUDYARD TOWNSHIP BUDGETARY COMPARISON SCHEDULE -ROAD FUND FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:			· · · · · · · · · · · · · · · · · · ·	(<u></u>
Property tax Interest income	\$73,000	\$73,000	\$77,389 426	\$4,38
TOTAL REVENUES	73,000	73,000	77,815	42
EXPENDITURES:				4,81
Current:				
Public works	73,000	83,000	76,900	
TOTAL EXPENDITURES	73,000	83,000	76,900	6,10
REVENUES OVER (UNDER) EXPENDITURES	-	(10,000)	915	6,100
FUND BALANCES, BEGINNING OF YEAR	4,038	4,038		10,915
FUND BALANCES, END OF YEAR	\$4,038	(\$5,962)	4,038	

The accompanying notes are an integral part of these financial statements.

RUDYARD TOWNSHIP BUDGETARY COMPARISON SCHEDULE -TOWNSHIP HALL CONSTRUCTION FUND FOR THE YEAR ENDED MARCH 31, 2005

EVDENDUMENT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
EXPENDITURES: Capital outlay Interest and fees	\$785,000 15,000	\$785,000 15,000	\$783,243 15,833	\$1,757
TOTAL EXPENDITURES	800,000	800,000	799,076	(833)
OTHER FINANCING SOURCES Bond Proceeds	800,000	800,000	795,200	
NET CHANGES IN FUND BALANCES FUND BALANCES, BEGINNING OF YEAR	-	-	(3,876)	(3,876)
FUND BALANCES, END OF YEAR	<u> </u>	<u> </u>	(\$3,876)	(\$3,876)

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY I	INFORMATION

RUDYARD TOWNSHIP GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

TAXES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Property tax	\$40,500	£40 £00		
Property tax administration fee	7,500	\$40,500	\$43,038	\$2,53
County voted tax (OES)	5,600	7,500 5,600	8,358	85
TOTAL TAXES	53,600		6,286	68
LICENTOR		53,600	57,682	4,08
LICENSES AND PERMITS				
Building permits	1,050	1,050		
Land division fees		200	1,315	265
TOTAL LICENSES AND PERMITS			930	730
TOTAL LICENSES AND PERMITS	1,250	1,250	2,245	207
STATE SHARED REVENUES				995
State shared revenues	01.000			
Payment in lieu of taxes	81,000	81,000	102,898	21,898
Other State shared revenues	1,050	1,050	1,649	599
	-		4,841	4,841
TOTAL STATE SHARED REVENUES	82,050	93.050		
CHARGES FOR SERVICES		82,050	109,388	27,338
Fire fees				
	3,000	3,000	2	
Ambulance fees	10,000	10,000	3,434	434
Cemetery - grave openings	1,000	1,000	2,745	(7,255)
TOTAL CHARGES FOR SERVICES		1,000	1,800	800
TOTAL CHARGES FOR SERVICES	14,000	14,000	7,979	
INTEREST INCOME			7,979	(6,021)
The state of the s	1,500	1,500	4,541	
RENTS			7,541	3,041
	1,500	1,500	6,870	£ 350
OTHER INCOME			3,070	5,370
Reimbursements				
Donations	20,000	20,000	20,044	4.4
Miscellaneous	-	-	160	44 160
	1,000	1,000	11,404	10,404
TOTAL OTHER INCOME	21 000			10,404
	21,000	21,000	31,608	10,608
TOTAL REVENUES	174,900			
	174,900	174,900	220,313	45,413

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

		FINAL	_	VARIA FAVOI ACTUAL (UNFAVO	ANCE RABLE ORABLE)
	ORIGINAL	BUDG		ACTORI	\$401
	BUDGET		054	\$32,453	
	\$26,970		\$32,854		
LEGISLATIVE				.0.205	-
Township Board			10,205	10,205	330
TONIMENT	10,200		3,200	2,870 7,862	138
GENERAL GOVERNMENT	2,100		8,000	16,102	1,298
Supervisor	8,000		17,400	13,324	-
Elections	17,400		13,324	802	148
Professional services	13,000		950	11,304	696
Assessor	950		12,000	9,594	106
Clerk	12,000		9,700	2,184	1,666
Board of Review	8,70		3,850	2,104	
Treasurer	3,85	0		74,247	4,382
Township properties		_	78,629	74,24	
Cemetery	76,20	30			
TOTAL GENERAL GOVERNMENT					10.46
TOTAL GENERAL G				27,279	19,465 2
			46,744	2,508	
- TO CAPETY	48,1	100	2,510	1,449	101
PUBLIC SAFETY Ambulance/Fire		150 550	1,550		19,568
	1,	550		31,236	19,500
Constable		000	50,804		468
Zoning	51	,800		17,532	400
TOTAL PUBLIC SAFETY		8,000	18,000		194
TOTAL FORDIS	18	5,000		8,006	
PUBLIC WORKS		4,200	8,200		
buric Mora-		4,200			516
RECREATION AND CULTURE-PARKS	_			10,184	510
RECREATION		10,700	10,700	10,000	1,000
OTHER FUNCTIONS		10,000	10,000	-	3,106
Insurance and bonds		1,000	1,000		3,100
Hydrant rental		22,600	11,283		4,622
Capital outlay		22,000		28,361	
Other		44,300	32,983	3	
		44,000			29,635
TOTAL OTHER				191,835	
TOTAL 9		221,470	221,47	70	75,04
		221,11		28,478	73,0 -
TOTAL EXPENDITURES		(46,570)	(46,5		
A NOTS		(40,513)		122,971	
NET CHANGES IN FUND BALANCES		122,971	122,9		\$75,04
			*= /	\$151,449	Ψ / Ψ / Ψ / Ψ / Ψ / Ψ / Ψ / Ψ / Ψ / Ψ /
FUND BALANCES, BEGINNING OF YEAR		\$76,401	\$76,	401	
FUND BALANCES, END OF YEAR					

RUDYARD TOWNSHIP COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED MARCH 31, 2005

ASSETS	FIRE DEPARTMENT FUND	AMBULANCE FUND	CEMETERY
Cash and cash equivalents Due from other funds	\$795	\$7,790	\$7,705
TOTAL ASSETS	\$795	\$7,790	\$7,705
FUND BALANCES			
Unreserved:			
Designated for subsequent years' expenditures Undesignated	\$475	\$400	\$ -
o naconguateu	320	7,390	7,705
TOTAL FUND BALANCES	\$795	\$7,790	\$7,705

FIRE/AMBULANCE IMPROVEMENT

	IMPROVEMENT	
TOTAL	FUND	
373 \$106	\$90,373	
3	3,690	
963 \$110.	\$94,063	
00 \$9,	\$8,500	
	85,563	
63 \$110,	\$94,063	

RUDYARD TOWNSHIP COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED MARCH 31, 2005

	FIRE DEPARTMENT FUND	AMBULANCE FUND	CEMETERY
REVENUES:			
Interest			
Charges for services - sales	\$28	\$146	\$152
Donations	-	-	750
Other	-	500	-
TOTAL REVENUES	28	646	-
EXPENDITURES:		040	902
Current:			
Public safety			
	1,446		
NET CHANGES IN FUND BALANCES	(1,418)	646	902
FUND BALANCES, BEGINNING OF YEAR	2,213		902
	2,213	7,144	6,803
FUND BALANCES, END OF YEAR	\$795	\$7,790	\$7,705

FIRE/AMBULANCE IMPROVEMENT

IMPROVEMENT	
FUND	TOTAL
\$1,626	\$1,952
-	750
-	500
14,218	14,218
15,844	17,420
1,465	2,911
14,379	14,509
79,684	95,844
\$94,063	\$110,353

RUDYARD TOWNSHIP PARK AND RECREATION FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES				
Service fees Other revenues	\$6,000 2,400	\$6,000 	\$5,823 2.823	(\$17
TOTAL OPERATING REVENUES	8,400	8,400	8,646	
OPERATING EXPENSES				240
Supplies Contracted service Other	8,500 4,300	8,500 4,300	8,690	(190
Capital outlay Depreciation	10,000	500 10,000	3,410 150	890 350
•	-		8,468	10,000 (8,468
TOTAL OPERATING EXPENSES	22,800	23,300	20,718	
OPERATING (LOSS)	(14,400)	(14,900)	(12,072)	2,582
NON-OPERATING REVENUES			(12,0/2)	2,828
Interest/investment income	5,000	5,000	4,357	(643)
CHANGE IN NET ASSETS	(9,400)	(9,900)	(7,715)	2,185
NET ASSETS, BEGINNING OF YEAR	229,217	229,217	229,217	2,103
NET ASSETS, END OF YEAR	\$219,817	\$219,317	\$221,502	

RUDYARD TOWNSHIP SEWER FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

_		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u> </u>	OPERATING REVENUES				
	Service and connection fees	\$74,950	\$74,950	\$78,650	\$3,700
	Other revenue	500	500	_	(500)
-	TOTAL OPERATING REVENUES	75,450	75,450	78,650	3,200
	OPERATING EXPENSES				
	Salaries	22,900	22,900	22,786	114
	Fringe benefits	5,500	5,500	4,226	1,274
	Office administration	5,000	5,000	5,000	•
	Gasoline	1,000	1,000	935	65
_	Supplies	1,000	1,000	885	115
	Office expense	650	650	140	510
	Contracted service	1,600	2,600	2,330	270
	Maintenance/repairs	2,500	2,500	544	1,956
,,,,,	Communication	1,500	1,500	1,740	(240)
	Utilities	7,000	7,000	11,507	(4,507)
	Education and training	300	300	-	300
	Insurance	4,300	4,300	3,545	755
	Other	200	600	400	200
	Capital outlay	24,000	24,000	-	24,000
	Depreciation	<u>-</u>		28,087	(28,087)
	Contingency	1,500	1,100	, <u>-</u>	1,100
	Contingency				
	TOTAL OPERATING EXPENSES	78,950	79,950	82,125	(2,175)
_	OPERATING (LOSS)	(3,500)	(4,500)	(3,475)	1,025
	NON-OPERATING REVENUES (EXPENSES)				
	Interest income	1,200	1,200	2,505	1,305
	Interest income - special assessments	5,000	5,000	5,175	175
	Current taxes - special assessments	22,000	22,000	13,188	(8,812)
	Bond principal payments	(18,000)	(18,000)	-	18,000
_	Interest expense	(17,000)	(17,000)	(14,400)	2,600
	TOTAL NON-OPERATING (EXPENSES) - NET	(6,800)	(6,800)	6,468	13,268
_	CHANGE IN NET ASSETS	(10,300)	(11,300)	2,993	14,293
	NET ASSETS, BEGINNING OF YEAR, AS RESTATED	272,205	272,205	272,205	-
-					¢14.202
	NET ASSETS, END OF YEAR	\$261,905	\$260,905	\$275,198	\$14,293

RUDYARD TOWNSHIP WATER FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES				
Service and connection fees Hydrant rentals	\$56,600	\$56,600	\$60,992	\$4,392
State grants	10,000	10,000	10,000	-
Other revenue	10,000	10,000	20,717	10,717
Other revenue	500	500		(500)
TOTAL OPERATING REVENUES	77,100	77,100	91,709	14,609
OPERATING EXPENSES				
Salaries	11 500	44 = 0.0		
Fringe benefits	11,500	11,500	11,392	108
Office administration	2,800	2,800	3,849	(1,049)
Gasoline	10,000	10,000	10,000	-
Supplies	500	500	714	(214)
Office expense	1,000 600	1,000	247	753
Contracted service		600	198	402
Maintenence/repair	22,500 2,000	27,500	27,119	381
Communication	400	2,000	2,239	(239)
Transportation	150	400	157	243
Utilities	1,500	150	115	35
Education and training	200	4,500	3,645	855
Insurance	4,000	200	159	41
Other	200	4,000	3,545	455
Capital outlay	21,000	200	313	(113)
Depreciation	21,000	21,000	•	21,000
		741	50,868	(50,868)
TOTAL OPERATING EXPENSES	78,350	86,350	114,560	(28,210)
OPERATING (LOSS)	(1,250)	(9,250)	(22,851)	(13,601)
NON-OPERATING REVENUES (EXPENSES)				
Interest income				
Interest income - special assessments	1,000	1,000	2,302	1,302
Current taxes - special assessments	-	-	12,868	12,868
Bond principal payments	24,000	24,000	10,985	(13,015)
Interest expense	(11,000)	(11,000)	-	11,000
	(25,000)	(25,000)	(24,300)	700
TOTAL NON-OPERATING (EXPENSES) - NET	(11,000)	(11,000)	1,855	12,855
CHANGE IN NET ASSETS	(12,250)	(20,250)	(20,996)	
NET ACCRETO DE CANADA		. ,,	(20,220)	(746)
NET ASSETS, BEGINNING OF YEAR,				
AS RESTATED	1,105,709	1,105,709	1,105,709	<u> </u>
NET ASSETS, END OF YEAR	\$1,093,459	\$1,085,459	\$1,084,713	(\$746)

RUDYARD TOWNSHIP STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FIDUCIARY FUND - TAX COLLECTION FUND FOR THE YEAR ENDED MARCH 31, 2005

	A CCEPPO	BALANCE APRIL 1, 2004	ADDITIONS	DELETIONS	BALANCE MARCH 31, 2005
_	ASSETS: Cash and cash equivalents	\$29	\$680,859	\$679,699	\$1,189
•	LIABILITIES: Due to other funds Due to County Due to Schools	\$29	\$204,654 192,784	\$203,497 192,781	\$1,186
		\$29	283,421	283,421	
_		——————————————————————————————————————	\$680,859	\$679,699	\$1,189

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-	SCHEDULES OF BONDED INDEBTEDNESS
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RUDYARD TOWNSHIP SCHEDULES OF BONDED INDEBTEDNESS MARCH 31, 2005

	YEAR ENDING MARCH 31,	PRINCIPAL DUE MAY 1	INTEREST DUE MAY 1 AND NOVEMBER 1	TOTAL ANNUAL REQUIREMENTS
GOVERNMENTAL	2006	\$10,000	\$34,781	\$44,781
ACTIVITIES:	2007	10,000	34,344	44,344
2004 General Obligation	2008	10,000	33,906	43,906
Unlimited Tax Bond	2009	10,000	33,469	43,469
	2010	15,000	32,922	47,922
	2011	15,000	32,266	47,266
	2012	15,000	31,609	46,609
	2013	15,000	30,953	45,953
	2014	20,000	30,188	50,188
	2015	20,000	29,313	49,313
	2016	20,000	28,438	48,438
	2017	20,000	27,563	47,563
	2018	25,000	26,578	51,578
	2019	25,000	25,484	50,484
	2020	25,000	24,391	49,391
	2021	25,000	23,297	48,297
	2022	25,000	22,203	47,203
	2023	25,000	21,109	46,109
	2024	30,000	19,906	49,906
	2025	30,000	18,594	48,594
	2026	35,000	17,172	52,172
	2027	35,000	15,641	50,641
	2028	35,000	14,109	49,109
	2029	35,000	12,578	47,578
	2030	40,000	10,938	50,938
	2031	40,000	9,188	49,188
	2032	45,000	7,328	52,328
	2033	45,000	5,359	50,359
	2034	50,000	3,281	53,281
	2035	45,200	1,092	46,292
	TOTAL	\$795,200	\$658,000	\$1,453,200

RUDYARD TOWNSHIP SCHEDULES OF BONDED INDEBTEDNESS (CONTINUED) MARCH 31, 2005

-	YEAR ENDING MARCH 31,	PRINCIPAL DUE APRIL 1	INTEREST DUE APRIL 1 AND OCTOBER 1	TOTAL ANNUAL REQUIREMENTS
PROPRIETARY FUND:	2006	\$10,000	\$3,250	\$13,250
Sewer Special	2007	10,000	2,750	12,750
Assessment Bonds	2008	10,000	2,250	12,750
	2009	10,000	1,750	11,750
	2010	10,000	1,250	11,250
_	2011	10,000	750	10,750
_	TOTAL	\$60,000	\$12,000	\$72,000
-				
	YEAR	PRINCIPAL	INTEREST	TOTAL
_	ENDING	DUE	DUE APRIL 1	ANNUAL
	MARCH 31,	OCTOBER 1	AND OCTOBER 1	REQUIREMENTS
PROPRIETARY FUND:	2006	\$10,000	\$11,420	001 100
Sewer Revenue Bonds	2007	10,000	10,950	\$21,420
	2008	11,000	10,450	20,950
_	2009	11,000	9,900	21,450
	2010	12,000	9,350	20,900
	2011	13,000	8,750	21,350
_	2012	13,000	8,100	21,750 21,100
-	2013	14,000	7,450	21,450
	2014	15,000	6,750	21,750
	2015	15,000	6,000	21,000
-	2016	16,000	5,250	21,250
	2017	17,000	4,450	21,450
	2018	18,000	3,600	21,600
-	2019	18,000	2,700	20,700
	2020	19,000	1,800	20,800
_	2021	11,000	850	11,850
_	TOTAL =	\$223,000	\$107,770	\$330,770

RUDYARD TOWNSHIP SCHEDULES OF BONDED INDEBTEDNESS (CONTINUED) MARCH 31, 2005

-	YEAR ENDING MARCH 31,	PRINCIPAL DUE APRIL 1	INTEREST DUE APRIL 1 AND OCTOBER 1	TOTAL ANNUAL REQUIREMENTS
PROPRIETARY FUND:	2006	\$9,000	***	
Water Special	2007	9,000 9,000	\$11,025	\$20,025
Assessment Bonds	2008	9,000 9,000	10,575	19,575
	2009	9,000	10,125	19,125
	2010	9,000 9,000	9,675	18,675
	2011	9,000 9,000	9,225	18,225
-	2012		8,775	17,775
	2013	9,000 9,000	8,325	17,325
	2014	•	7,875	16,875
	2015	9,000	7,425	16,425
	2016	9,000	6,975	15,975
	2017	9,000	6,525	15,525
_	2018	9,000	6,075	15,075
	2019	9,000	5,625	14,625
	2020	9,000	5,175	14,175
	2021	9,000	4,725	13,725
_	2022	9,000	4,275	13,275
	2023	9,000	3,825	12,825
	2024	9,000	3,375	12,375
	2025	9,000	2,925	11,925
	2025	9,000	2,475	11,475
		9,000	2,025	11,025
	2027	9,000	1,575	10,575
	2028	8,000	1,150	9,150
	2029	7,000	775	7,775
_	2030	6,000	450	6,450
	2031	5,000	175	5,175
	2032	1,000	25	1,025
-	TOTAL	\$225,000	\$141,175	\$366,175

RUDYARD TOWNSHIP SCHEDULES OF BONDED INDEBTEDNESS (CONCLUDED) MARCH 31, 2005

	YEAR ENDING MARCH 31,	PRINCIPAL DUE APRIL 1	INTEREST DUE APRIL 1 AND OCTOBER 1	TOTAL ANNUAL REQUIREMENTS
PROPRIETARY FUND:	2006	\$5,000	044.00-	
Water Revenue Bonds	2007	5,000	\$12,825	\$17,82
	2008	5,000	12,575	17,57
	2009	5,000	12,325	17,32
	2010	6,000	12,075	17,07
	2011	6,000	11,800	17,800
	2012	6,000	11,500	17,500
	2013	6,000	11,200	17,200
	2014	7,000	10,900	16,900
	2015	7,000	10,575	17,575
	2016	7,000 7,000	10,225	17,225
	2017	7,000 7,000	9,875	16,875
	2018		9,525	16,525
	2019	8,000 8,000	9,150	17,150
	2020	9,000	8,750	16,750
	2021	9,000	8,325	17,325
	2022	10,000	7,875	16,875
	2023	10,000	7,400	17,400
	2024	11,000	6,900	16,900
	2025		6,375	17,375
	2026	11,000	5,825	16,825
	2027	12,000	5,250	17,250
	2028	12,000	4,650	16,650
	2029	13,000	4,025	17,025
	2030	14,000	3,350	17,350
	2031	14,000	2,650	16,650
	2032	15,000	1,925	16,925
	2033	15,000	1,175	16,175
		18,000	400	18,400
	TOTAL	\$261,000	\$219,425	\$480,425

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RUDYARD TOWNSHIP SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2005

-	FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES
_	U.S DEPARTMENT OF AGRICULTURE Rural Development Administration Community Facilities Loans and Grants Community Facilities Loan	10.766		
			\$795,200	\$795,200
.	TOTAL FEDERAL FINANCIAL ASSISTANCE		\$795,200	\$795,200

NOTES TO SCHEDULE OF **EXPENDITURES OF FEDERAL AWARDS**

Year Ended March 31, 2005

Note 1-Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rudyard Township and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the

Note 2 - Loans Outstanding

Rudyard Township has outstanding federal loan balances in the amount of \$1,564,000 at March 31, 2005, as shown at Note 7 in the accompanying notes to the financial statements.

Note 3 -Subrecipient's

Rudyard Township provided no federal award dollars to a subrecipient during the fiscal year.

Note 4 - Reconciliation of Reported Expenditures to Financial Statement Totals

The following is a reconciliation of total federal expenditures reported on the Schedule of Expenditures of Federal Awards to the bond proceeds reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Government Fund Types for the year ended

Township Hall Construction Fund:

Bond Proceeds - U.S.D.A. Community Facilities Loan	
Total Expenditures, per Schedule of Expenditures of Federal Awards	\$795,200
Expenditures of Federal Awards	\$795,200

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 28, 2005

Township Board Rudyard Township Chippewa County, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Rudyard Township*, *Chippewa County*, *Michigan* as of and for the year ended March 31, 2005, which collectively comprise *Rudyard Township's* basic financial statements and have issued my report thereon dated July 28, 2005. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, I considered *Rudyard Township's* internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing there assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider material weaknesses. However, I noted certain matters involving the internal control over financial reporting that I reported to management of *Rudyard Township's* in a separate letter dated July 28, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Rudyard Township's* financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objection of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Richard E. Mahlmeister, C.P.A.

Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

July 28, 2005

Township Board Rudyard Township Chippewa County, Michigan

Compliance

I have audited the compliance of *Rudyard Township*, *Chippewa County*, *Michigan*, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal program for the year ended March 31, 2005. *Rudyard Township's* major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of *Rudyard Township's* management. My responsibility is to express an opinion on *Rudyard Township's* compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rudyard Township's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that the audit provides a reasonable basis for my opinion. The audit does not provide a legal determination on Rudyard Township's compliance with those requirements.

In my opinion, *Rudyard Township*, *Chippewa County*, *Michigan*, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2005.

Internal Control Over Compliance

The management of *Rudyard Township*, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations contracts, and grants applicable to federal programs. In planning and performing the audit, I considered *Rudyard Township's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, members of the board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kechaul Muhlmuster CPA Richard E. Mahlmeister, C.P.A.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2005

SUMMARY OF AUDITOR'S RESULTS

- 1. An unqualified opinion was issued on the basic financial statements.
- 2. There were no reportable conditions disclosed during the audit of the financial statements.
- 3. I noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the basic financial statements, which would need to be reported in accordance with *Government Auditing Standards*.
- 4. An unqualified opinion was issued on compliance for major programs. I did not disclose any findings related to internal controls or compliance related to the major program tested.
- 5. Rudyard Township had one major federal program (and the only federal program) tested to cover 50 percent of the total Federal expenditures, the U.S. Department of Agriculture, Community Facilities Loan (CFDA 10.766). Total Federal expenditures for the year ended March 31, 2005 for this major program was \$795,200, which represents 100 percent of the total Federal expenditures.
- 6. The threshold used to distinguish between a Type A and B program was \$300,000.
- 7. The Township did not qualify as a low-risk auditee.

FINDINGS/NONCOMPLIANCE

Reportable Conditions related to Internal Control Over the Financial Statements.

None.

Findings Related to Compliance with Requirements Related to the Financial Statements.

None.

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None.

Questioned Costs.

None.



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

July 28, 2005

Township Board Rudyard Township Chippewa County, Michigan

In planning and performing my audit of the financial statements of *Rudyard Township*, *Chippewa County*, *Michigan*, for the year ended March 31, 2005, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated July 28, 2005 on the financial statements of *Rudyard Township*.

Thank you for the opportunity to serve *Rudyard Township*. I appreciate the assistance I received from the Supervisor, Clerk, Treasurer and Office Manager. Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.

SEGREGATION OF DUTIES

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Rudyard Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As in the prior year, the reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Rudyard Township*, where corrective action is not practical, and is not considered to be a material weakness.

CAPITAL ASSETS

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. I further would recommend that the Board make this threshold, at least, in the range \$2,000 to \$5,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.

FUND DEFICIT

Deficit net assets in the Township Hall Construction Fund existed in the amount of \$3,876 at March 31, 2005. This resulted from the construction of the new township hall where expenditures were incurred during the fiscal year but revenue in the form of bond proceeds were not received until after year-end causing expenditures to exceed revenues. The deficit will be eliminated once these bond proceeds are received in the next fiscal year. The Township is in the process of submitting a deficit elimination plan to the Michigan Department of Treasury, in accordance with Public Act 275 of 1980.

Rudyard Township Comments & Suggestions July 28, 2005 Page 3 (three)

BUDGET DEFICIT AND BUDGET ADOPTION PROCEDURES

Public Act 2 of 1968, as amended, provides that a local unit shall adopt a balanced budget whereas budgeted expenditures may not exceed budgeted revenues plus the prior year surplus. Though no deficit spending occurred, during the year ended March 31, 2005, the Township adopted an amended budget for the Road Fund where the budgeted expenditures exceeded the budgeted revenues plus prior year surplus in the amount of \$5,962.

I suggest that the Township Board review its budgeting procedures so that it will be ensured that future adopted budgets for the Road Fund, as well as other funds, will be balanced in accordance with this Act.